



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 28, 2009

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: March 31, 2009, Investment Report And March 31, 2009, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the March 31, 2009, Investment Report; and
- B. Accept the March 31, 2009, Fiscal Agent Report.

DISCUSSION:

The City's investment reporting schedule requires staff to submit a comprehensive report on the City portfolio on a quarterly basis. Therefore, this report will cover investment activity for January through March, 2009.

Against the backdrop of a deepening global economic downturn, financial markets exhibited continued volatility throughout the first calendar quarter of 2009. According to final estimates released by the Bureau of Economic Analysis, the real gross domestic product (GDP), the broadest measure of the health of the U.S. economy, decreased at an annual rate of 6.3% during the fourth quarter of 2008. This marked the worst decline since the first quarter of 1982. The negative GDP indicated declines in exports, consumer spending, and business investments. Consumer confidence levels plummeted during the quarter, and deteriorating market conditions pushed the unemployment rate to 8.5% in March, its highest level in nearly twenty-six years. Consumers' economic outlook remained pessimistic, amid worries of job losses, falling incomes, and declining housing wealth.

The U.S. government enacted a myriad of fiscal programs, and spending initiatives during the quarter in an effort to promote economic recovery and stabilize financial markets. Actions included the Treasury Department's Financial Stability Plan, President Obama's \$787 billion economic stimulus package, and the continuation of aggressive monetary action by the Federal Reserve. The

U.S. Treasury Market					
	12/31/2008	1/31/2009	2/28/2009	3/31/2009	Cumulative Change
3 Month	0.01%	0.23%	0.27%	0.21%	0.20%
6 Month	0.26%	0.34%	0.43%	0.41%	0.15%
1 Year	0.34%	0.47%	0.68%	0.54%	0.20%
2 Year	0.76%	0.95%	0.97%	0.80%	0.04%
3 Year	0.97%	1.33%	1.37%	1.12%	0.15%
4 Year	1.26%	1.60%	1.68%	1.39%	0.13%
5 Year	1.55%	1.88%	1.98%	1.65%	0.10%
10 Year	2.21%	2.84%	3.01%	2.67%	0.46%
30 Year	2.68%	3.58%	3.71%	3.54%	0.86%
LAIF	2.35%	2.05%	1.87%	1.82%	-0.53%

Council Agenda Report

March 31, 2009, Investment Report And March 31, 2009, Fiscal Agent Report

April 28, 2009

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Federal Reserve Bank's Open Market Committee maintained the federal funds rate at a target range of 0-1/4%, and reiterated that the rate is likely to remain exceptionally low "for an extended period." In March, the Fed increased the size of its balance sheet by announcing plans to buy \$300 billion in long-term Treasury securities, and purchasing \$750 billion of agency mortgage-backed securities. This direct action drove the yield on the benchmark treasury rate down, prompting a surge of mortgage refinancing activity at quarter-end.

Investment Activity

As shown in the table below, the City invested \$19.7 million during the quarter. The purchases consisted of "AAA" rated Federal Agency securities, of which \$12 million are callable, and \$7.7 million are bullets. \$17 million of "AAA" rated Federal Agency securities were called during the quarter, and maturities for the quarter totaled \$12 million. The weighted average yield to maturity on the quarter's purchases totaled 2.527%, compared to that of 4.514% on the quarter's called and matured investments. The rate at which the City earned interest at LAIF was 1.91% for the quarter ending

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	02/26/09	02/24/14	02/24/10	3.301%	3.261%
Federal National Mortgage Assn. (FNMA)	2,000,000	02/27/09	02/24/12	02/24/11	2.250%	2.250%
Federal Farm Credit Bank (FFCB)	2,000,000	03/04/09	03/02/12	03/02/10	2.370%	2.370%
Federal Farm Credit Bank (FFCB)	2,000,000	03/04/09	01/17/12	-	-	2.000%
Federal Home Loan Bank (FHLB)	1,700,000	03/04/09	06/08/12	-	-	2.110%
Federal National Mortgage Assn. (FNMA)	2,000,000	03/18/09	09/18/12	03/18/11	2.500%	2.500%
Federal Farm Credit Bank (FFCB)	2,000,000	03/05/09	03/04/13	-	-	2.600%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	03/24/09	03/24/14	06/24/09	3.500%	3.500%
Federal National Mortgage Assn. (FNMA)	2,000,000	03/23/09	03/23/12	09/23/10	2.000%	2.500%
Federal Farm Credit Bank (FFCB)	2,000,000	03/06/09	04/24/12	-	-	2.120%
<i>Total Purchases</i>	\$ 19,700,000					
<i>Calls:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	04/02/08	04/02/13	01/02/09	4.150%	4.150%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	01/09/08	01/09/12	01/09/09	4.250%	4.250%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	04/16/08	04/16/13	01/16/09	4.000%	4.000%
Federal Home Loan Bank (FHLB)	2,000,000	02/13/08	02/13/13	02/13/09	4.553%	4.001%
Federal Home Loan Bank (FHLB)	2,000,000	02/17/06	02/17/11	02/17/09	5.020%	5.020%
Federal Home Loan Mortgage Corp. (FHLMC)	5,000,000	06/04/08	06/04/13	03/04/09	4.550%	4.550%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	03/26/08	03/26/13	03/26/09	4.200%	4.200%
<i>Total Calls</i>	\$ 17,000,000					
<i>Maturities:</i>						
Federal Farm Credit Bank (FFCB)	\$ 2,000,000	01/29/07	01/22/09	-	-	5.150%
U.S. Treasury Note (USTN)	2,000,000	02/01/06	02/15/09	-	-	4.501%
Federal Farm Credit Bank (FFCB)	2,000,000	06/02/06	02/18/09	-	-	5.280%
Federal National Mortgage Assn. (FNMA)	2,000,000	01/12/07	02/24/09	-	-	5.000%
Federal National Mortgage Assn. (FNMA)	2,000,000	04/17/07	03/06/09	-	-	5.001%
Federal Home Loan Bank (FHLB)	2,000,000	10/01/08	03/30/09	-	-	3.520%
<i>Total Maturities</i>	\$ 12,000,000					

March 31, 2009. Staff expects to reinvest a portion of the City's LAIF balances in short-term securities during the next quarter.

Summary of Cash and Investments

During the quarter, the City's book rate of return decreased by 45.7 basis points, from 4.038% at December 31, 2008 to 3.581% at March 31, 2009. The portfolio yield continues to decline through the attrition of higher-yielding securities, and reinvestment at considerably lower market rates. The portfolio's average days to maturity decreased by 25 days, from 471 to 446 days.

Mo. Ended	Yield	Days to Maturity
12/31/2008	4.038%	471
1/31/2009	3.784%	388
2/28/2009	3.679%	401
3/31/2009	3.581%	446

Credit Quality on Corporate Notes

The table on the following page summarizes the credit ratings on corporate securities held in the City's portfolio. Over the course of the quarter ending March 31, 2009, there have been credit quality changes to three corporate issuers as detailed below.

On March 23rd, Moody's Investors Service (Moody's) downgraded General Electric Co. (GE) and its finance arm, GE Capital Corp. (GECC), by two notches, from Aaa to Aa2. This followed Standard & Poor's (S&P) single notch ratings reduction to AA+ from AAA, which took place on March 12. The rating agencies cited concerns that GECC is under increased earnings pressure due to the global economic downturn. Moody's and S&P have a stable outlook on both ratings, as the agencies believe that GECC will improve liquidity and leverage this year. As of March 31, 2009, the City's GECC holdings accounted for 4.28% of the portfolio.

On February 6th, Moody's and S&P simultaneously downgraded Toyota Motor Corporation's credit ratings by one notch. Credit ratings agencies have been lowering ratings on automakers, as global sales have slumped due to decreased demand. Moody's stated that Toyota's downgrade was "driven by the significantly impaired state of profitability at Toyota, due in turn to the severe nature of market conditions surrounding the global auto industry." S&P states that the ratings "could come under further downward pressure if deterioration in the business environment continues for an extended period or if the company is unable to maintain its ability to keep its cash flow and cash position within appropriate levels..." The Moody's and S&P ratings on Toyota Motor Credit Corporation (TMCC) now stand at Aa1 and AA+, respectively. The City currently holds a \$2 million TMCC note, representing 1.22% of the portfolio.

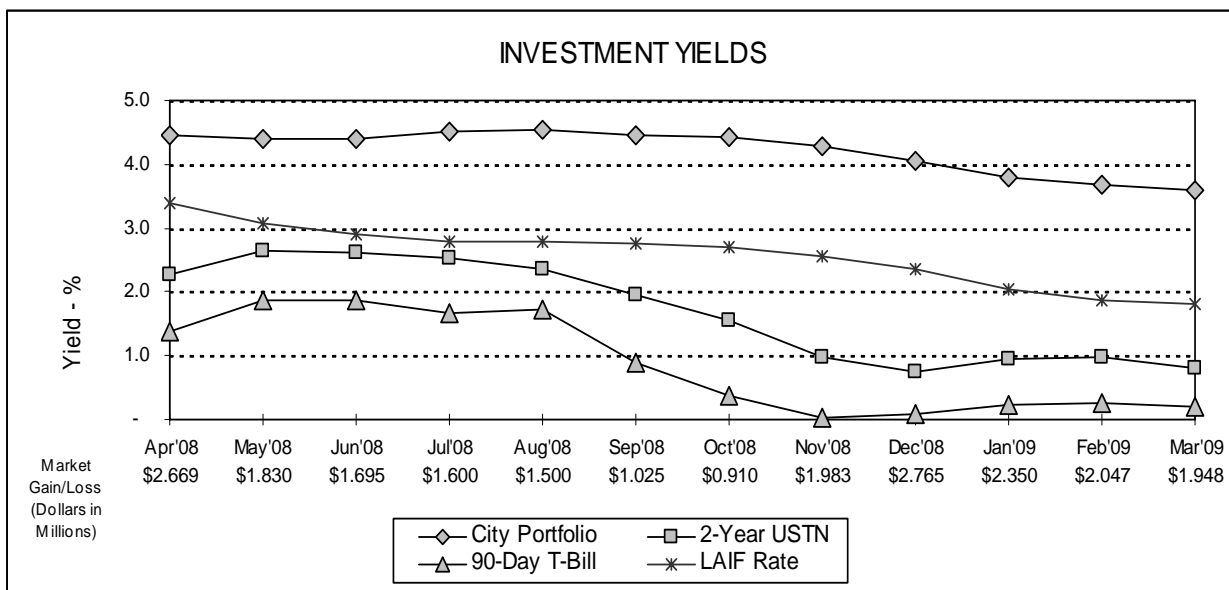
Moody's twice downgraded Wells Fargo and Co. (WFC) during the quarter. On January 6th, Wells Fargo's senior debt ratings were cut two notches from Aa1 to Aa3. The downgrade was attributed to concerns regarding the acquisition of Wachovia, and the inherent risk of losses stemming from Wachovia's loan portfolio. On March 25th, Moody's cut ratings on both Wells Fargo, as well as Bank of America, citing concerns that they would need additional capital from the government. Moody's stated that "Wells Fargo's capital ratios could come under pressure in the short-term, increasing the probability that systemic support will be needed." Moody's expects that any government support would be favorable to senior bondholders. The senior-debt rating for Wells was cut by one notch from Aa3 to A1. The City currently holds \$4 million in Wells Fargo notes, which in total represent 2.44% of the portfolio.

ISSUER	PURCHASE DATE	MATURITY DATE	QUALITY RATING at PURCHASE		QUALITY RATING AS OF 12/31/08		QUALITY RATING AS OF 3/31/09	
			MOODY'S	S & P	MOODY'S	S & P	MOODY'S	S & P
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aaa	AAA	Aaa	AAA	Aaa	AAA
GENERAL ELECTRIC CAPITAL CORP	04/17/07	06/15/09	Aaa	AAA	Aaa	AAA	Aa2	AA+
GENERAL ELECTRIC CAPITAL CORP	02/10/06	06/15/09	Aaa	AAA	Aaa	AAA	Aa2	AA+
GENERAL ELECTRIC CAPITAL CORP	08/15/06	09/15/09	Aaa	AAA	Aaa	AAA	Aa2	AA+
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aaa	AAA	Aaa	AAA	Aa2	AA+
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aaa	AAA	Aaa/*-	AAA	Aa1	AA+
WELLS FARGO & CO.	10/10/06	08/09/10	Aa1	AA	Aa1/*-	AA	A1	AA
WELLS FARGO & CO.	05/30/07	01/12/11	Aa1	AA+	Aa1/*-	AA	A1	AA

Per the City's Investment Policy, Section VII.A.5, investments in any one "AA" rated corporate issuer is limited to no more than 5% of the portfolio, and investments in any one "A" rated issuer is limited to 3% of the portfolio. Also per the Policy, if the quality rating of the issuer is downgraded, subsequent to purchase, below "A," or its equivalent, it shall be reported to Finance Committee and City Council with a recommendation, and ongoing information shall be provided if the bond is not sold. Staff will continue to monitor for any further changes to quality ratings.

Portfolio Market Gains/Losses

As shown on the Investment Yields graph below, the City's portfolio continued to reflect



unrealized market gains during the quarter due to the low interest rate environment. At March 31st, the portfolio had an unrealized market gain of \$1.948 million.

The table below reflects the five securities with the largest percentage of unrealized losses at March 31, 2009.

Issuer	Face Amount	Maturity	\$ Mkt Loss	% Mkt Loss
Wells Fargo & Co.	\$ 2,000,000	08/09/10	\$15,826	0.79%
General Electric Capital Corp.	\$ 2,000,000	02/22/11	\$12,519	0.62%
Federal Home Loan Bank	\$ 2,000,000	06/08/12	\$10,332	0.57%
Wells Fargo & Co.	\$ 2,000,000	01/12/11	\$10,863	0.55%
Federal Farm Credit Bank	\$ 2,000,000	04/24/12	\$8,936	0.45%

The table below shows the two securities with a market decline greater than 1% compared to the prior month. Both corporate notes had unrealized market gains at February 28, 2009. Due to the downward swing in market pricing by quarter-end, the notes had unrealized market losses. The unrealized losses on the Wells and GECC notes are less than 1% of their book value, at -0.55% and -0.62% respectively.

Issuer	Face Amount	Maturity	Feb-Mar Mkt Change (\$)	Feb-Mar Mkt Change (%)	% Book-Mkt (Loss) at 3.31.09
Wells Fargo & Co.	\$ 2,000,000	01/12/11	-\$35,320	-1.76%	-0.55%
General Electric Capital Corp.	\$ 2,000,000	02/22/11	-\$25,140	-1.23%	-0.62%

Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of March 31, 2009 is in compliance with the City's Statement of Investment Policy; and (2) there are sufficient funds available to meet the City's expenditure requirements for the next six months.

Fiscal Agent Investments

In addition to reporting requirements for public agency portfolios, a description of any of the agency's investments under the management of contracted parties is also required on a quarterly basis. Attachment 2 includes bond funds and the police and fire service retirement fund as of March 31, 2009.

ATTACHMENTS: 1. March 31, 2009, Investment Report
 2. March 31, 2009, Fiscal Agent Report

SUBMITTED BY: Robert Peirson, Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Activity and Interest Report
March 31, 2009

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

03/04	Federal Farm Credit Bank (FFCB)	\$	2,000,000
03/04	Federal Farm Credit Bank (FFCB)		2,000,000
03/04	Federal Home Loan Bank (FHLB)		1,700,000
03/05	Federal Farm Credit Bank (FFCB)		2,000,000
03/06	Federal Farm Credit Bank (FFCB)		2,000,000
03/10	LAIF Deposit/City		1,000,000
03/13	LAIF Deposit/City		2,500,000
03/18	Federal National Mortgage Assn. (FNMA)		2,000,000
03/23	Federal National Mortgage Assn. (FNMA)		2,000,000
03/24	Federal Home Loan Mortgage Corp. (FHLMC)		2,000,000
03/30	LAIF Deposit/City		3,000,000
	Total	\$	22,200,000

SALES, MATURITIES, CALLS OR WITHDRAWALS

03/04	Federal Home Loan Mortgage Corp. (FHLMC) Call	\$	(5,000,000)
03/05	LAIF Withdrawal/City		(1,000,000)
03/06	Federal National Mortgage Assn. (FNMA) Maturity		(2,000,000)
03/12	LAIF Withdrawal/City		(5,000,000)
03/18	LAIF Withdrawal/City		(1,000,000)
03/19	LAIF Withdrawal/City		(1,500,000)
03/23	LAIF Withdrawal/City		(1,500,000)
03/24	LAIF Withdrawal/City		(1,000,000)
03/25	LAIF Withdrawal/City		(1,000,000)
03/26	Federal Home Loan Mortgage Corp. (FHLMC) Call		(2,000,000)
03/27	LAIF Withdrawal/City		(2,500,000)
03/30	Federal Home Loan Bank (FHLB) Call		(2,000,000)
	Total	\$	(25,500,000)

ACTIVITY TOTAL **\$ (3,300,000)**

INTEREST REVENUE

POOLED INVESTMENTS

Interest Earned on Investments	\$	450,060
Amortization		15,953
SBB&T Sweep Account Interest		165
SBB&T Trust Account M/M Interest		52
Total	\$	466,230

RDA INVESTMENTS

Interest Earned on Investments (LAIF)	\$ 28,009
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TOTAL INTEREST EARNED **\$ 494,239**

CITY OF SANTA BARBARA
Summary of Cash and Investments
March 31, 2009

ENDING BALANCE AS OF FEBRUARY 28, 2009

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 58,100,000	1.869%	35.26%	1
Certificates of Deposit	2,000,000	2.500%	1.21%	262
Treasury Securities - Coupon	1,999,528	5.000%	1.21%	75
Federal Agency Issues - Coupon	79,618,774	4.484%	48.33%	734
Corporate/Medium Term Notes	15,236,709	4.910%	9.25%	398
SB Airport Promissory Note	7,800,000	6.500%	4.73%	121
Totals and Averages	\$ 164,755,011	3.679%	100.00%	401
SBB&T Money Market Account	3,193,130			
Total Cash and Investments	\$ 167,948,141			

NET CASH AND INVESTMENT ACTIVITY FOR MARCH 2009 **\$ (2,589,216)**

ENDING BALANCE AS OF MARCH 31, 2009

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 50,100,000	1.822%	31.00%	1 (1)
Certificates of Deposit	2,000,000	2.500%	1.24%	231
Treasury Securities - Coupon	1,999,723	5.000%	1.24%	44
Federal Agency Issues - Coupon	84,458,375	4.108%	52.26%	772
Corporate/Medium Term Notes	15,241,409	4.910%	9.43%	367
SB Airport Promissory Note	7,800,000	6.500%	4.83%	90
Totals and Averages	\$ 161,599,507	3.581%	100.00%	446
SBB&T Money Market Account	3,759,418			
Total Cash and Investments	\$ 165,358,925			

Note:

(1) The average life of the LAIF portfolio as of March 31, 2009 is 196 days.

CITY OF SANTA BARBARA
Investment Portfolio
March 31, 2009

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
LOCAL AGENCY INVESTMENT FUNDS											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	1.822	1.822	32,000,000.00	32,000,000.00	32,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	1.822	1.822	18,100,000.00	18,100,000.00	18,100,000.00	0.00	
Subtotal, LAIF							50,100,000.00	50,100,000.00	50,100,000.00	0.00	
CERTIFICATES OF DEPOSIT											
MONTECITO BANK & TRUST	11/18/08	11/18/09	-	-	2.500	2.500	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
Subtotal, Certificates of deposit							2,000,000.00	2,000,000.00	2,000,000.00	0.00	
TREASURY SECURITIES - COUPON											
U S TREASURY NOTE	05/19/06	05/15/09	Aaa	AAA	4.875	5.000	2,000,000.00	1,999,723.00	2,011,800.00	12,077.00	
Subtotal, Treasury Securities							2,000,000.00	1,999,723.00	2,011,800.00	12,077.00	
FEDERAL AGENCY ISSUES - COUPON											
FEDERAL FARM CREDIT BANK	03/06/09	04/24/12	Aaa	AAA	2.250	2.120	2,000,000.00	2,007,685.80	1,998,750.00	(8,935.80)	
FEDERAL FARM CREDIT BANK	03/07/06	04/15/09	Aaa	AAA	4.125	5.000	2,000,000.00	1,999,375.64	2,003,120.00	3,744.36	
FEDERAL FARM CREDIT BANK	08/17/06	08/17/09	Aaa	AAA	5.125	5.150	2,000,000.00	1,999,826.22	2,035,310.00	35,483.78	
FEDERAL FARM CREDIT BANK	11/07/06	01/18/11	Aaa	AAA	5.750	5.000	2,000,000.00	2,023,970.26	2,156,560.00	132,589.74	
FEDERAL FARM CREDIT BANK	01/29/07	08/25/10	Aaa	AAA	4.750	5.111	2,000,000.00	1,990,837.08	2,099,380.00	108,542.92	
FEDERAL FARM CREDIT BANK	02/01/08	02/01/13	Aaa	AAA	3.790	3.790	2,000,000.00	2,000,000.00	2,033,130.00	33,130.00	Callable 2/01/10, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	03/02/12	Aaa	AAA	2.370	2.370	2,000,000.00	2,000,000.00	2,004,380.00	4,380.00	Callable 3/02/10, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	01/17/12	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,006,560.00	6,560.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AAA	2.600	2.600	2,000,000.00	2,000,000.00	2,010,630.00	10,630.00	
FEDERAL HOME LOAN BANK	10/25/06	02/12/10	Aaa	AAA	3.875	5.117	1,000,000.00	990,227.21	1,025,315.00	35,087.79	
FEDERAL HOME LOAN BANK	12/18/06	11/03/09	Aaa	AAA	3.500	4.834	2,000,000.00	1,985,477.49	2,029,690.00	44,212.51	
FEDERAL HOME LOAN BANK	05/22/07	06/10/11	Aaa	AAA	5.250	5.005	2,000,000.00	2,009,578.40	2,159,370.00	149,791.60	
FEDERAL HOME LOAN BANK	07/09/07	02/15/11	Aaa	AAA	4.000	5.308	2,000,000.00	1,955,898.77	2,096,560.00	140,661.23	
FEDERAL HOME LOAN BANK	07/09/07	03/12/10	Aaa	AAA	5.000	5.268	1,000,000.00	997,616.90	1,038,125.00	40,508.10	
FEDERAL HOME LOAN BANK	02/26/09	02/24/14	Aaa	AAA	3.250	3.261	2,000,000.00	1,999,097.77	2,011,250.00	12,152.23	Callable 2/24/10, then qtrly
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AAA	4.375	2.110	1,700,000.00	1,817,907.50	1,807,576.00	(10,331.50)	
FEDERAL HOME LOAN BANK	09/14/06	09/29/10	Aaa	AAA	5.125	5.070	1,000,000.00	1,000,695.15	1,056,410.00	55,714.85	
FEDERAL HOME LOAN BANK	05/21/07	06/12/09	Aaa	AAA	5.250	5.000	2,000,000.00	2,000,917.92	2,018,760.00	17,842.08	
FEDERAL HOME LOAN BANK	04/21/08	10/21/11	Aaa	AAA	3.125	3.125	2,000,000.00	2,000,000.00	2,011,880.00	11,880.00	Callable 7/21/09, once
FEDERAL HOME LOAN BANK	04/22/08	04/22/13	Aaa	AAA	4.000	4.112	2,000,000.00	1,999,416.67	2,003,120.00	3,703.33	Callable 4/22/09, then qtrly
FEDERAL HOME LOAN BANK	05/23/08	06/10/11	Aaa	AAA	3.125	3.520	2,000,000.00	1,983,644.61	2,056,250.00	72,605.39	
FEDERAL HOME LOAN BANK	09/25/08	08/18/09	Aaa	AAA	3.750	3.231	2,000,000.00	2,003,842.79	2,024,690.00	20,847.21	
FEDERAL HOME LOAN BANK	10/18/06	09/11/09	Aaa	AAA	5.250	5.060	1,000,000.00	1,000,753.21	1,019,845.00	19,091.79	
FEDERAL HOME LOAN BANK	11/07/06	10/26/09	Aaa	AAA	5.000	5.000	2,345,000.00	2,344,991.01	2,399,603.33	54,612.32	
FEDERAL HOME LOAN BANK	11/08/06	07/30/10	Aaa	AAA	5.000	5.010	2,000,000.00	1,999,700.18	2,102,500.00	102,799.82	
FEDERAL HOME LOAN BANK	12/18/06	06/22/10	Aaa	AAA	4.500	4.825	2,000,000.00	1,992,750.02	2,083,750.00	90,999.98	

CITY OF SANTA BARBARA
Investment Portfolio
March 31, 2009

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
FEDERAL HOME LOAN BANK	05/21/07	05/15/09	Aaa	AAA	4.250	5.005	1,450,000.00	1,448,740.08	1,456,800.50	8,060.42	
FEDERAL HOME LOAN BANK	06/18/07	03/12/10	Aaa	AAA	4.875	5.382	2,000,000.00	1,991,128.46	2,074,070.00	82,941.54	
FEDERAL HOME LOAN BANK	05/22/08	05/22/13	Aaa	AAA	4.350	4.350	2,000,000.00	2,000,000.00	2,009,380.00	9,380.00	Callable 5/22/09, then qtrly
FEDERAL HOME LOAN BANK	06/16/08	12/10/10	Aaa	AAA	3.250	3.800	2,000,000.00	1,982,343.09	2,064,060.00	81,716.91	
FEDERAL HOME LOAN BANK	09/25/08	09/25/09	Aaa	AAA	3.250	3.250	2,000,000.00	2,000,000.00	2,023,440.00	23,440.00	
FEDERAL HOME LOAN BANK	10/15/08	07/15/11	Aaa	AAA	4.000	4.002	2,000,000.00	2,000,000.00	2,012,190.00	12,190.00	Callable 7/15/09, once
FEDERAL HOME LOAN MTG CORP	03/24/09	03/24/14	Aaa	AAA	3.500	3.500	2,000,000.00	2,000,000.00	2,005,500.00	5,500.00	Callable 6/24/09, then qtrly
FEDERAL HOME LOAN MTG CORP	09/14/06	09/01/09	Aaa	AAA	4.125	5.070	1,000,000.00	996,382.85	1,014,120.00	17,737.15	
FEDERAL HOME LOAN MTG CORP	05/29/07	07/06/10	Aaa	AAA	4.500	5.070	2,000,000.00	1,986,777.71	2,082,340.00	95,562.29	
FEDERAL HOME LOAN MTG CORP	10/15/07	10/15/12	Aaa	AAA	5.050	5.050	2,000,000.00	2,000,000.00	2,042,120.00	42,120.00	Callable 10/15/09, once
FEDERAL HOME LOAN MTG CORP	04/02/08	04/02/12	Aaa	AAA	3.375	3.375	2,000,000.00	2,000,000.00	2,000,160.00	160.00	Callable 4/02/09, once
FEDERAL HOME LOAN MTG CORP	01/29/07	01/25/10	Aaa	AAA	4.375	5.122	2,000,000.00	1,988,819.26	2,054,100.00	65,280.74	
FEDERAL HOME LOAN MTG CORP	04/20/07	04/20/12	Aaa	AAA	5.250	5.250	2,000,000.00	2,000,000.00	2,004,280.00	4,280.00	Callable 4/20/09, once
FEDERAL HOME LOAN MTG CORP	05/22/07	09/17/10	Aaa	AAA	3.880	5.015	2,000,000.00	1,969,742.90	2,075,780.00	106,037.10	
FEDERAL NATL MORTGAGE ASSN	03/18/09	09/18/12	Aaa	AAA	2.500	2.500	2,000,000.00	2,000,000.00	2,013,440.00	13,440.00	Callable 3/18/11, once
FEDERAL NATL MORTGAGE ASSN	03/23/09	03/23/12	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,005,940.00	5,940.00	StrNt, Callable 9/23/10, once
FEDERAL NATL MORTGAGE ASSN	04/27/06	04/20/10	Aaa	AAA	4.750	5.270	2,000,000.00	1,990,230.10	2,075,630.00	85,399.90	
FEDERAL NATL MORTGAGE ASSN	02/27/09	02/24/12	Aaa	AAA	2.250	2.250	2,000,000.00	2,000,000.00	2,017,820.00	17,820.00	Callable 2/24/11, once
FEDERAL NATL MORTGAGE ASSN	03/05/08	03/05/13	Aaa	AAA	4.100	4.100	2,000,000.00	2,000,000.00	2,053,130.00	53,130.00	Callable 3/05/10, once
Subtotal, Federal Agencies							84,495,000.00	84,458,375.05	86,376,814.83	1,918,439.78	
CORPORATE/MEDIUM TERM NOTES											
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aaa	AAA	4.125	3.630	2,250,000.00	2,258,395.75	2,286,990.00	28,594.25	
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aa2	AA+	6.125	5.100	2,000,000.00	2,034,518.70	2,022,000.00	(12,518.70)	
GENERAL ELECTRIC CAPITAL CORP	08/15/06	09/15/09	Aa2	AA+	4.625	5.300	2,000,000.00	1,994,382.63	1,994,380.00	(2.63)	
GENERAL ELECTRIC CAPITAL CORP	02/10/06	06/15/09	Aa2	AA+	4.000	5.000	1,000,000.00	998,125.44	999,750.00	1,624.56	
GENERAL ELECTRIC CAPITAL CORP	04/17/07	06/15/09	Aa2	AA+	3.250	5.060	2,000,000.00	1,993,026.12	1,994,160.00	1,133.88	
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aa1	AA+	4.250	5.140	2,000,000.00	1,984,550.86	2,009,980.00	25,429.14	
WELLS FARGO & CO.	05/30/07	01/12/11	A1	AA	4.875	5.260	2,000,000.00	1,987,603.39	1,976,740.00	(10,863.39)	
WELLS FARGO & CO.	10/10/06	08/09/10	A1	AA	4.625	5.000	2,000,000.00	1,990,805.77	1,974,980.00	(15,825.77)	
Subtotal, Corporate Securities							15,250,000.00	15,241,408.66	15,258,980.00	17,571.34	
SB AIRPORT PROMISSORY NOTE											
SANTA BARBARA AIRPORT	07/01/08	06/30/09	-	-	6.500	6.500	7,800,000.00	7,800,000.00	7,800,000.00	0.00	
Subtotal, SBA Note							7,800,000.00	7,800,000.00	7,800,000.00	0.00	
TOTALS							161,645,000.00	161,599,506.71	163,547,594.83	1,948,088.12	

CITY OF SANTA BARBARA
Investment Portfolio
March 31, 2009

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
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Market values have been obtained from the City's safekeeping agent, Santa Barbara Bank and Trust (SBB&T). SBB&T uses Interactive Data Pricing Service, Bloomberg and DTC.

CITY OF SANTA BARBARA
Fiscal Agent Investments
March 31, 2009

	CASH & CASH EQUIVALENTS	Guaranteed Investment Contracts (GIC)	STOCKS		BONDS		US GOVT & AGENCIES		TOTALS	
	Book & Market	Book & Market	Book	Market	Book	Market	Book	Market	Book	Market
BOND FUNDS										
RESERVE FUNDS										
2004 RDA - Housing Bonds	215.57	-	-	-	-	-	-	-	215.57	215.57
2002 Municipal Improvement - Refunding COPs	6,607.14	547,530.00	-	-	-	-	-	-	554,137.14	554,137.14
2002 Water - Refunding COPs	7,943.11	1,088,268.76	-	-	-	-	-	-	1,096,211.87	1,096,211.87
1994 Water - Revenue Bonds	19,800.76	757,680.00	-	-	-	-	-	-	777,480.76	777,480.76
2002 Waterfront - Reference COPs	405,716.51	1,393,262.50	-	-	-	-	-	-	1,798,979.01	1,798,979.01
1992 Seismic - Safety Bonds	87,465.15	-	-	-	-	-	-	-	87,465.15	87,465.15
Subtotal, Reserve Funds	527,748.24	3,786,741.26	-	-	-	-	-	-	4,314,489.50	4,314,489.50
PROJECT FUNDS										
2001 RDA Bonds	3,512,558.73	-	-	-	-	-	-	-	3,512,558.73	3,512,558.73
2003 RDA Bonds	-	22,430,248.67	-	-	-	-	-	-	22,430,248.67	22,430,248.67
2004 Sewer Revenue Bonds	3,755,974.05	1,357,140.00	-	-	-	-	-	-	5,113,114.05	5,113,114.05
Subtotal, Project Funds	7,268,532.78	23,787,388.67	-	-	-	-	-	-	31,055,921.45	31,055,921.45
Subtotal Bond Funds	7,796,281.02	27,574,129.93	-	-	-	-	-	-	35,370,410.95	35,370,410.95
POLICE/FIRE - SVC RETIREMENT FUND										
Police/Fire Funds	135,127.06	-	202,010.69	189,383.34	-	-	-	-	337,137.75	324,510.40
	135,127.06	-	202,010.69	189,383.34	-	-	-	-	337,137.75	324,510.40
TOTAL FISCAL AGENT INVESTMENTS	7,931,408.08	27,574,129.93	202,010.69	189,383.34	-	-	-	-	35,707,548.70	35,694,921.35

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: U S Bank, Bank of New York and Santa Barbara Bank & Trust